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SUBJECT: CODEL MEMBERS MEET WITH HONDURAS' THREE LABOR UNION
CONFEDERATIONS AND GOH OFFICIALS TO TALK CAFTA

REF: (A) Tegucigalpa 2283

(B) Tegucigalpa 1487
(C) Tegucigalpa 426

11. (SBU) Summary. CODEL Kolbe visited San Pedro Sula, Honduras September 27 as part of a Central American trip. After touring the Elcatex maquila owned by the Canahuati family and meeting with leaders of the Honduran Maquila Association, members of the delegation met at the maquila with leaders of the three labor confederations of Honduras: CGT, CTH, and CUTH. The meeting was a productive discussion of challenges for the exercise/protection of core labor rights and CAFTA. Chairman Kolbe also met with key GOH officials to discuss the Central American Free Trade Agreement (CAFTA) and the Millennium Challenge Account. GOH officials noted that in addition to textiles benefits, CAFTA needed to provide additional market access for Honduran agricultural products, while providing protection and time for adjustment for vulnerable small producers. End Summary.

12. (U) CODEL Kolbe, led by Representative Jim Kolbe (R-AZ), Chairman of the Appropriations' Subcommittee on Foreign Operations, Export Financing and Related Programs, visited San Pedro Sula, Honduras September 27. The delegation also included Representatives Earl Blumenauer (D-OR), Pete Stark (D-CA), Mike Thompson (D-CA), and Candice Miller (R-MI). As part of their schedule, the Representatives discussed CAFTA with members of the maquila association, labor leaders, and GOH officials, and attended a reception in their honor hosted by the maquila association. Other parts of the CODEL's visit to Honduras included site visits to a non-traditional agriculture farm and a HIV/AIDS project.

Maquila Association Highlights CAFTA Textile Benefits

13. (SBU) At the Elcatex maquila, Jesus Canahuati, President of the Honduran Maquila Association and Vice President of the umbrella private sector organization COHEP, gave a presentation to the CODEL on textiles and apparel discussions in the CAFTA negotiation. (Note: Jesus Canahuati's father, Juan Canahuati, is the owner of the maquila and owner of the first free zone in Honduras, and his brother Mario Canahuati is currently the Honduran Ambassador to the United States. End note.) The presentation focused on the size and growth of the Honduran maquila industry, the impact of CBI and CBTPA upon the industry's development, and the importance of CAFTA for the industry's future. Canahuati emphasized the impact that the removal of quotas in 2005 will have on the Central American textile and apparel industry, stressing the need for a good CAFTA agreement to allow the region to compete with China and other Asian countries.

14. (SBU) Canahuati also highlighted the interconnection between the Honduran and U.S. economies, pointing out that 56 percent of Honduran imports are from the U.S. Unlike the situation in Asia, growth in the Honduran maquila sector (and the Honduran economy as a whole) leads to continued jobs in the U.S. textile sector as well as other export-oriented sectors of the U.S. economy. After the presentation, the CODEL had the chance to tour the non-unionized maquila, which includes spinning, dyeing, printing and cutting operations. All of the thread, and much of the equipment, used in the factory was made in the U.S.

CODEL Talks CAFTA and Core Labor Rights With Unions

15. (U) Representatives Blumenauer, Miller, Stark, and Thompson met with the three Honduran labor confederations: General Workers' Central (CGT) - CGT Secretary General Daniel Duron, CGT Regional Coordinator in the North Zone of Honduras Julio Figueroa, and CGT National Executive Committee member Enrique Castillo; Confederation of Honduran Workers (CTH) - Labor Federation of the National Workers of Honduras (FESITRANH) Labor Advisors David Cisneros and Armando

Galdamez, (CTH SecGen Dinora Aceituno was unable to attend the meeting); and United Confederation of Honduran Workers (CUTH) - CUTH Secretary General Israel Salinas, CUTH Secretary for the Popular Sector Baudilio Andara, and CUTH

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Secretary for Conflicts and Oversight Armando Alvarenga.

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Mrs. Deborah Stark, Mrs. Janet Thompson, several congressional staffers on the delegation, EconOff, and AidOff sat in on the meeting, and LabAtt led the meeting and translated. Representative Kolbe was meeting with maquila representatives and did not attend the meeting with the labor leaders.

16. (SBU) The meeting with labor leaders focused on CAFTA and labor rights. Labor leaders first expressed their views on the labor situation in Honduras, focusing on poor economic growth, ongoing GOH negotiations with the IMF that was leading the GOH to propose reforming the civil service pay and benefits for teachers and doctors, and their concerns about CAFTA and labor rights. The representatives then took turns asking questions about specific complaints labor leaders had about (a) the exercise/protection of core labor rights, and (b) CAFTA and labor rights.

17. (SBU) CGT SecGen Daniel Duron thanked the U.S. Congress for including the protection of labor and environmental rights as part of Trade Promotion Authority (TPA). However, Duron expressed skepticism that CAFTA provisions would force stricter enforcement of labor laws in Honduras. CUTH SecGen Israel Salinas stated his opposition to CAFTA, but at the maquila association reception that evening he took a softer line. All three union confederations said they worried about Honduras not being able to compete with the U.S. in CAFTA, especially with respect to agriculture.

18. (SBU) Congressmen Blumenauer, Stark, and Thompson emphasized the importance of the protection of core labor rights and encouraged union leaders to share with them specific complaints. Union leaders said the anti-union sentiment in the business community combined with inadequate enforcement of labor laws made it a difficult environment for labor unions. Labor leaders also said that Ministry of Labor bureaucratic procedures and a weak budget for inspections made a difficult situation worse for organizing new unions. Note: According to the Ministry of Labor, union representation has declined from approximately 15 percent to approximately eight percent of the economically active population. End Note.

Kolbe Discusses CAFTA with President of Congress . . .

19. (SBU) Chairman Kolbe met with Vice President Alberto Diaz Lobo, President of the National Congress Porfirio "Pepe" Lobo, and Minister of the Presidency Luis Cosenza. Kolbe provided background on the importance that he and his committee attach to the negotiation of a successful CAFTA agreement. He also explained the status of the Millennium Challenge Account (MCA) authorization and appropriation language in the U.S. Congress. Pepe Lobo noted that conclusion of the free trade agreement was vital for the survival of the textile and apparel sector in Honduras and to the growth of employment in manufacturing. However, to sell the CAFTA agreement in Honduras, CAFTA will also need to provide significant additional market access for Honduran agricultural products, while providing protection and time for adjustment for vulnerable small producers.

. . . And MCA With Minister of the Presidency

10. (SBU) Cosenza emphasized the importance of prompt action on the MCA. He explained that the Honduran government is working closely with the Embassy to ensure it meets the eligibility criteria, and to develop solid grant proposals. AID Director commented that Honduras' first proposal may be for funding of the Logistical Corridor connecting El Salvador and Guatemala with Honduras' port at Puerto Cortes on the Caribbean coast with a modern trucking corridor, along with improvements at the port itself. Cosenza explained that Honduras has embarked on a port security program that will ensure Honduras' ports meet the criteria in the U.S.' Maritime Transportation Security Act and are successfully certified after July 1, 2004. He asked for the establishment of a U.S. Customs Service office at Puerto Cortes.

Enforcement of Labor Laws is Critical

11. (SBU) Comment: The CODEL visit provided a realistic view for the members of the importance of CAFTA to Honduras, and particularly to the survival of the textile and apparel sector after quotas are removed in 2005. They also were able to see the development challenges that Honduras faces, and

the fears of many here about the ability to compete with U.S. products after liberalization, particularly in agriculture. The CODEL was well informed about the devastating effect in the countryside of the historically low world prices for coffee and were impressed by the USAID-funded agricultural diversification projects underway. At least one member of Congress commented that the three-country trip had convinced her to support the CAFTA agreement when it reaches the Congress for ratification.

12. (SBU) The private sector gave a generally positive assessment of labor relations in Honduras. Several of the Congressmen who attended the labor meeting, however, commented that they were glad to have the opportunity to "hear both sides of the story". Labor leaders welcomed the opportunity to voice their concerns about labor rights and CAFTA directly to U.S. congressional representatives, following on past meetings when they had done the same with EmbOffs and experts from the Departments of State and Labor (refs B-C). Post has urged the Ministry of Labor to improve the enforcement of labor laws and work with the business community to improve respect for core labor rights (ref A). Post will continue to engage the GOH, labor, and business on this key part of CAFTA. End Comment.

13. (U) This cable was not cleared with members of the CODEL.

Palmer